



AR48



1975 Achievements at a Glance

NEW BUSINESS — Premiums

Individual
Group

NEW BUSINESS — Amounts

Individual
Group

BUSINESS IN FORCE — Amounts

Individual Life
Group Life
Annuities and Pensions
(equivalent basis)

HEALTH INSURANCE IN FORCE

Premiums

BENEFITS

Contractual payments
to policyholders and
beneficiaries
Individual dividends
to policyholders

ASSETS

SURPLUS

NET RATE OF INTEREST EARNED

*Front cover:
The extension of the company
Home Office building
looking north from Jarvis Street.
Photo: McKenzie-Darg.*

stated in '000's of dollars

1975

1974

\$ **18,824**
62,013

\$ 18,731
38,038

800,786
3,316,442

718,044
947,548

4,908,744
10,224,921

4,474,273
6,449,670

2,427,570

2,255,450

109,812

80,968

199,838

161,723

18,707

18,096

1,485,332

1,267,176

66,141

65,840

7.47%

7.07%

Report of the Directors to Policyowners



J. K. MACDONALD, Chairman

The provision of insurance and related services to policyowners continued to grow during 1975 with particular strength noted in the field of Group coverages. The statements and figures in the annual report for 1975 reflect this pattern of market development and illustrate the adaptability of the company in meeting the requirements of the public for a large variety of insurance and financial services in a sound and satisfactory manner. This acceptance of services on a broad scale indicates a basic confidence by policyowners and the public alike in the fundamental stability of the company and in its ability to meet its commitments to them in full.

Early in the year the company took delivery of a modern; up-to-date computer. The installation of this equipment has added measurably to the company's ability to provide timely and effective service to clients and information to management.

In February Mr. P. Wortman accepted an appointment as Vice-President and General Manager for the United Kingdom region following the untimely death of Mr. J.H.S. Thomas. Prior to this change Mr. Wortman had been responsible for the company operations in the Caribbean region.

In June the Board accepted the resignation of Mr. H.G. De Young, a Director of the company since 1963. During his tenure as a Director, Mr. De Young consistently provided the quality of advice and guidance which the Board had come to expect from a businessman of his background and experience.

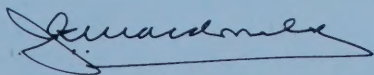
In the latter part of 1975 your Board of Directors approved the company's entry in the RHOSP market, the Registered Home Ownership Savings Program introduced by the federal government in Canada in late 1974. Essentially this program enables individuals to save for the purchase of a home or home furnishings, and to claim income tax relief on these savings. Although life insurance plans do not qualify as savings vehicles under present legislation, the company is in a position to provide this service through its Mutual Funds. The

Confederation Life RHOSP product was introduced on a pilot basis in the province of Ontario and extension to the rest of Canada is now being considered.

Throughout the year, in each of its operating regions, the company experienced distinct but not unrelated conditions affecting the acceptance of its products and services. The thread common to all regions was concern about the rate of inflation and the level of economic performance. During 1975 evidence accumulated indicating that economic activity in all our operating areas began to improve. Inflation, however, remained at unacceptably high levels. The response of authorities to this continued inflationary pressure varied in kind and degree in each region. With its wide base of insurance and financial services Confederation Life was able to accommodate itself to the differing approaches taken by the respective governments to lessen the impact of inflation. This capacity of the company to adjust to economic conditions is a position of strength that lets us look forward to 1976 with confidence.

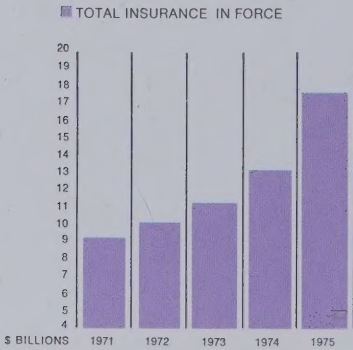
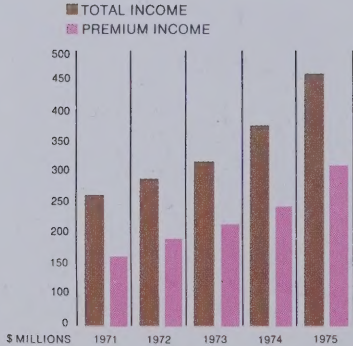
Effective October 14, 1975, the Anti-Inflation Act was announced in Canada and subsequently Regulations were issued. Under this legislation the company is subject to mandatory compliance with controls on prices, profit margins, and employee compensation. The Regulations have been observed in the company's annual review of employee compensation, and other aspects of the Regulations are being studied to assure compliance.

Your Board would like to acknowledge the many contributions of both the officers and staff throughout the company for the successful conduct of company affairs during the past year.

A handwritten signature in dark ink, appearing to read "R. Macdonald", with a long horizontal flourish extending to the right.

Chairman

Report on Operations



During 1975 the company's business showed sizeable gains in most major components including premium and investment income, payments to policyowners, business in force and assets. The achievement of these basically satisfactory results in a year of sustained inflationary pressures and relatively low economic activity indicates the fundamental soundness of the company's organizational structure and its product and service portfolio.

Total income from all sources reached \$450,804,000, an increase of 20.3% over 1974. Of this amount \$303,526,000 arose from premiums and deposits paid by policyowners, representing a 24.3% increase over 1974, and \$82,726,000 from income earned in the investment of general funds, some 14.3% above the corresponding 1974 figure. In addition, segregated funds contributed \$64,552,000 in combined deposit and investment income during the year.

The total amount of life insurance and annuities in force at the end of the year rose to \$17,561,235,000, a rise of 33.2% from the \$13,179,393,000 of a year earlier. Of this amount, \$10,224,921,000 represents Group Life, \$4,908,744,000 Individual Life and \$2,427,570,000 annuity contracts.

Annual premiums from the sale of new policies increased by 42.4% to \$80,837,000. The annual premium from new Group policies was \$62,013,000 and from Individual policies \$18,824,000. The amount of new life insurance purchased from the company during 1975 rose dramatically to \$4,117,228,000 from \$1,665,592,000 in 1974, an increase of 147%. This unusually large increase in sales is primarily attributable to the soundness and very widespread acceptance of our Group products, especially in Canada.

Policyowners and beneficiaries received \$229,309,000 from Confederation Life during the year. Payments to living policyowners amounted to \$177,742,000 and to beneficiaries \$51,567,000.

During 1975 investment funds earned a rate of return of 7.47% after deducting investment expenses. The net rate in 1974 was 7.07%.

The assets of the company reached \$1,485,332,000 by the end of 1975 from \$1,267,176,000 at the end of 1974, an increase over the year of 17.2%. The portion of these assets held as segregated funds showed substantial growth during the year reaching \$255,974,000, an increase during 1975 of \$74,611,000 or 41.1%.

During 1974 the insurance industry generally experienced an increased level of surrender payments. While the use of the cash surrender value in an insurance contract is a recognized benefit for policyowners, the effect of a high rate of surrenders suggests that for some policyowners, their insurance programs were not being carried through to completion. We are pleased to note, therefore, that the 1975 surrender payments of \$26,332,000 were appreciably lower than the 1974 payments despite a larger base of business in force.

There is a strong relationship between the quality of products and services offered by a company and the response of the public to its marketing process. In recent years Confederation Life has emphasized the development of products and services that are pertinent to the needs of its clients. The reputation the company has earned by these efforts is amply documented by the success of our business operations during 1975.

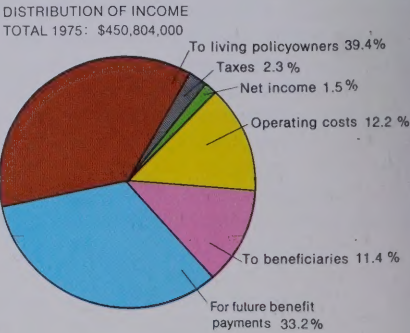
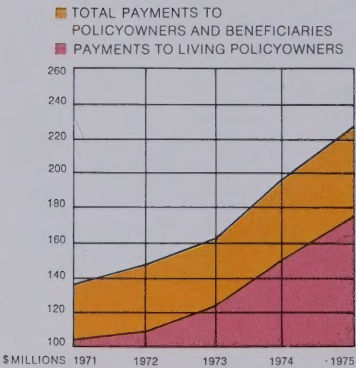
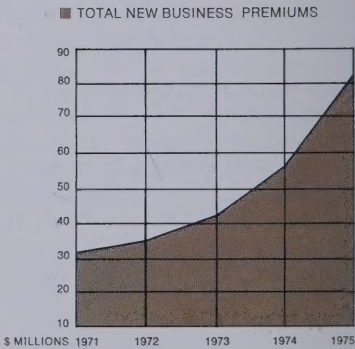
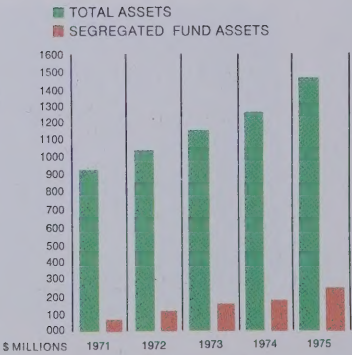


J. CRAIG DAVIDSON, President

J. Craig Davidson

President

Report on Operations



1975 Financial Statements



Consolidated Statement of Operations

for the year ended December 31, 1975

stated in '000's of dollars

	1975	1974
INCOME		
Premiums from policyowners	\$303,526	\$244,252
Segregated investment funds, being deposits and income	64,552	58,096
Interest, dividends and rents, less investment expenses	82,726	72,371
	<u>\$450,804</u>	<u>\$374,719</u>
DISTRIBUTION OF INCOME		
To Policyowners and Beneficiaries		
Death Claims	\$ 51,567	\$ 39,408
Endowments matured	9,038	8,798
Annuity payments	19,070	15,741
Disability and health benefits	88,877	62,918
Surrender payments	26,332	30,450
Interest to policyowners	4,954	4,408
Increase in segregated investment fund liabilities	54,791	49,259
Increase in funds necessary for future contract payments (Note 3)	94,754	73,844
Dividends to policyowners paid or set aside (Note 3)	29,471	25,993
Operating Expenses		
Service, sales and administration expenses	55,070	49,105
Taxes and licence fees	10,457	10,552
	<u>\$444,381</u>	<u>\$370,476</u>
Net income on operations	<u>\$ 6,423</u>	<u>\$ 4,243</u>

See Notes — Pages 13 and 14

Consolidated Statement of Surplus

for the year ended December 31, 1975

stated in '000's of dollars

	1975	1974
Balance, beginning of year	\$65,840	\$65,303
Net income on operations	6,423	4,243
Net gain (loss) on investments	2,334	(11,781)
Transfer from (to) investment valuation reserve	(12,700)	6,300
Adjustment of policy liabilities (Note 3)	3,445	(2,700)
Reduction of tax liabilities	1,033	3,643
Adjustment for currency values	(234)	832
Balance, end of year	<u>\$66,141</u>	<u>\$65,840</u>

Consolidated Balance Sheet

as at December 31, 1975

stated in '000's of dollars

	1975	1974
ASSETS		
Bonds (Note 4)	\$ 469,043	\$ 426,393
Stocks (Note 4)	60,026	58,813
Mortgage loans	434,698	366,914
Segregated investments (market value)	255,974	181,363
Home Office property and computer equipment	20,388	14,160
Real estate investments	90,478	81,052
Loans on policies	103,583	92,541
Cash and bank short term paper	4,373	2,951
Interest and rents earned but not yet received	18,773	17,041
Premiums in course of collection	19,256	15,728
Other assets	8,740	10,220
	<u>\$1,485,332</u>	<u>\$1,267,176</u>

LIABILITIES

Policyowners' reserves	\$ 880,742	\$ 789,433
Policy proceeds, dividends and other amounts on deposit	81,850	72,738
Segregated investment funds	255,974	181,363
Policy claims in process of payment (Note 5)	41,956	31,333
Provision for future disability income payments (Note 5)	58,424	44,806
Provision for future dividends to policyowners	29,957	27,970
Taxes and other liabilities	21,288	17,393
Contingency reserve	10,000	10,000
Investment valuation reserve (Note 4)	39,000	26,300
Surplus	66,141	65,840
	<u>\$1,485,332</u>	<u>\$1,267,176</u>

See Notes — Pages 13 and 14

Notes to Consolidated Financial Statements

1. These financial statements have been prepared on a consolidated basis to include the operations of the Company's wholly-owned life insurance and real estate subsidiaries.

2. Throughout the statements, United States currency is included at the rate of \$1 Canadian to the U.S. dollar. Sterling currency is included at \$2.40 Canadian to the pound. If current rates of exchange had been used in the balance sheet, there would have been a minor increase in the surplus shown.

3. During 1975 two changes in accounting policy have been made as follows:—

(a) In 1974 and prior years, dividends to policyowners paid or set aside were included in the Consolidated Statement of Surplus. In order to reflect more accurately the nature of this item, dividends to policyowners paid or set aside have been charged to operations in 1975 and dividends paid or set aside relating to the 1974 year, previously charged to surplus, have been applied against 1974 operations.

(b) In 1974 and prior years, all changes in policy liabilities in respect of guaranteed equity-linked endowment policies including adjustments related to security value deficiencies were treated as part of actuarial reserve requirements and included as charges to operations. As a result of depressed stock market values in the United Kingdom at the end of 1974, \$2,700,000 was charged to operations in that year in respect of security value deficiencies related to such policies.

Because these charges relate closely to investment valuation provisions which are made through the surplus account, a change in accounting policy has been made in 1975 to provide for adjustments to policy liabilities related to deficient market values in respect of these policies through the surplus account. This change has been applied retroactively with the result that the \$2,700,000 previously included with the item "increase in funds necessary for future contract payments" in the Consolidated

Notes to Consolidated Financial Statements

continued from Page 13, Note 3

Statement of Operations in 1974 is now shown as "adjustment of policy liabilities" in the Consolidated Statement of Surplus in the 1974 comparative figures.

The effect of these two accounting changes is as follows: —

	1975	1974
	stated in '000's of dollars	
Net income on operations before accounting changes	\$38,569	\$ 27,536
Deduct (Add)		
Dividends to policyowners previously included in surplus	29,471	25,993
Funds necessary for future contract payments previously included in Consolidated Statement of Operations	<u>2,675</u>	<u>(2,700)</u>
Net income on operations, as reported	<u>\$ 6,423</u>	<u>\$ 4,243</u>

4. Bonds and stocks are valued at amortized cost or less, which values, after deducting the investment valuation reserve, are lower than the values if determined in the manner prescribed by the insurance laws of Canada.

5. In 1975 the provision for future disability income payments, previously included in policy claims in the process of payment, has been included in the Consolidated Balance Sheet as a separate item. The comparative 1974 figures have been adjusted accordingly.

Actuary's Certificate

I hereby certify that the Policyowners' Reserves and other liabilities under policy contracts included herein are not less than those required by the Canadian and British Insurance Companies Act, and that in my opinion they make good and sufficient provision for all unmatured obligations of the Company.

Toronto, Canada,
January 28, 1976

M. Rosenfelder
Corporate Vice-President
Actuarial, Statements & Taxation

Auditors' Report

To the Policyowners and Directors
of Confederation Life Insurance Company

We have examined the consolidated balance sheet of Confederation Life Insurance Company and its subsidiaries as at December 31, 1975 and the consolidated statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the amounts required to provide for policyowners' reserves and other liabilities under policy contracts were determined and certified by the Company's Actuary.

In our opinion, based on our examination and the certificate of the Company's Actuary, these financial statements present fairly the financial position of the Companies as at December 31, 1975 and the results of their operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada,
January 29, 1976

Clarkson, Gordon & Co.,
Chartered Accountants

Board of Directors

J. K. MACDONALD
Chairman of the Board

C. MALIM HARDING, O.B.E.
Chairman of the Board
Harding Carpets Limited

J. CRAIG DAVIDSON
President

THOMAS E. LADNER, D.S.C., Q.C.
Partner, Ladner Downs
Vancouver

DONALD A. McINTOSH, Q.C.
Vice-President
Partner, Fraser & Beatty

GEORGE E. MARA
Chairman, Jannock Corporation
Limited

J. PAGE R. WADSWORTH
Vice-President
Chairman of the Board and
Chief Executive Officer
Canadian Imperial Bank of Commerce

H. C. F. MOCKRIDGE, Q.C.
Partner, Osler, Hoskin & Harcourt

CLAUDE T. BISSELL, C.C., Ph.D., D.Litt.,
D. ès L., LL.D., F.R.S.C.
Former President, University of Toronto

ANDRÉ MONAST, Q.C.
Partner, St-Laurent, Monast,
Walters & Vallières
Quebec

ROBERT F. CHISHOLM, O.B.E.
Chairman, Thompson Paper Box
Company Limited

SIR RALPH PERRING, Bt.
Chairman, Perring Furnishings Limited
London, England

PIERRE P. DAIGLE
Vice-President and General Manager
City National Leasing Limited
Montreal

ANTHONY F. GRIFFITHS
Chairman and Chief Executive Officer
Canadian Cablesystems Limited

RAY D. WOLFE
Chairman and Chief Executive Officer
The Oshawa Group Limited

Executive Officers

J. CRAIG DAVIDSON
President

R. M. BELL, Q.C.
Vice-President,
General Counsel and Secretary

P. D. BURNS
Vice-President,
Canadian Operations

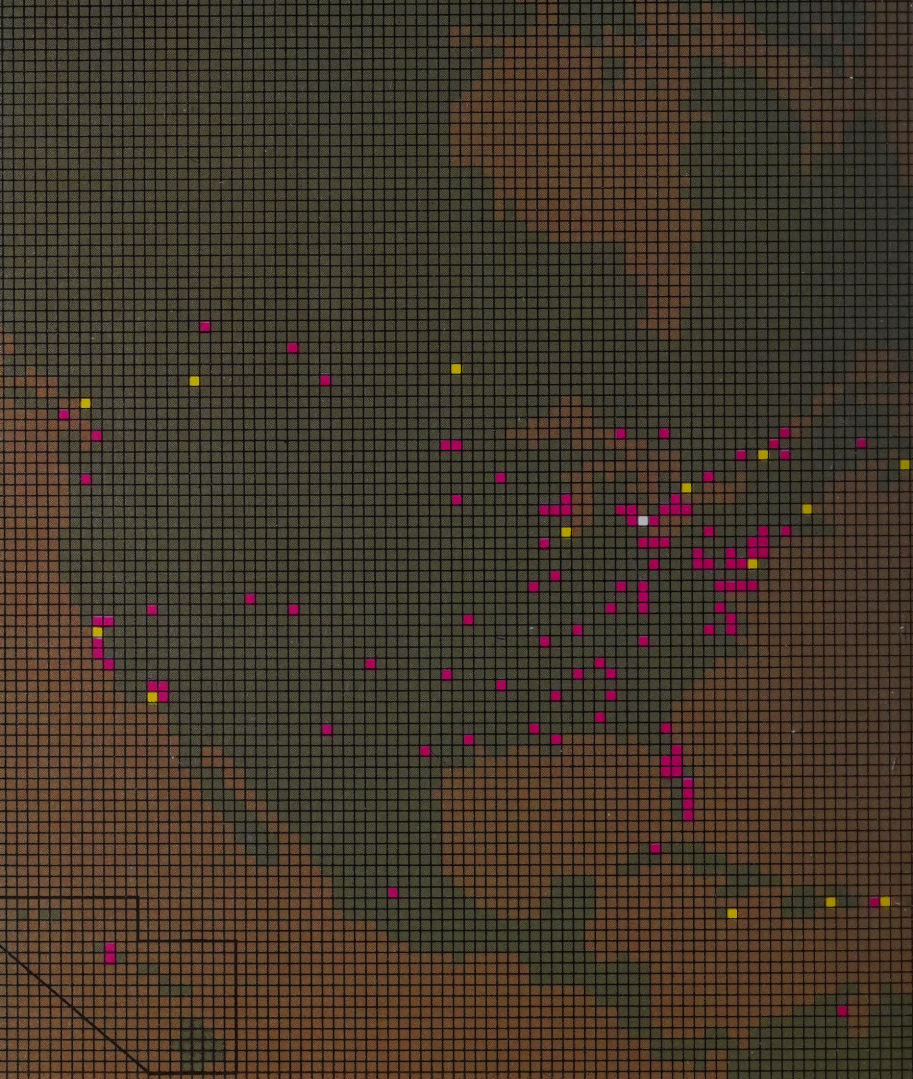
J. B. HEARD
Vice-President,
Personnel

P. W. LLOYD
Vice-President,
United States and Caribbean Operations

A. J. TRUSLER
Vice-President,
Investments

D. E. WATTS
Vice-President,
Corporate

P. WORTMAN
Vice-President and
General Manager for the United Kingdom



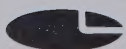
Confederation Life: International Operations

Individual Office ———— ■
Group Office ———— □
Individual and Group Office ———— ■

Confederation Life's field organization consists of: 191 Individual sales offices, 22 Group sales offices, 14 Claims and Service offices and 7 Investment offices. In addition, the Venezuelan affiliate company, VENEZCO, has 6 sales offices.

Pour recevoir ce Rapport annuel en français,
il suffit d'en faire la demande.

A copy of the Annual Report in French is available on request.



Confederation Life
INSURANCE COMPANY

A MUTUAL COMPANY INCORPORATED IN CANADA IN 1871
321 BLOOR STREET EAST, TORONTO, CANADA M4W 1H1